

EXHIBIT B

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

IN RE)	
)	CASE NO. 00-3570 (JCA)
PSA, INC.,)	
ETS PAYPHONES, INC.,)	CHAPTER 11
ETS VENDING, INC., ET AL,)	(Jointly Administered
)	Case Nos. 00-3570 through
)	00-3572 and 00-3718 through
Debtors.)	00-3725)

**FIRST AMENDED PROPOSED DISCLOSURE STATEMENT WITH RESPECT TO
JOINT REORGANIZATION PLAN SUBMITTED BY THE DEBTORS
AND THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS**

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Dated: July 25, 2001

**THIS IS NOT A SOLICITATION OF ACCEPTANCES OR REJECTIONS OF THE
JOINT PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL
A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY
COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR
APPROVAL AND IS SUBJECT TO APPROVAL BY THE BANKRUPTCY COURT.**

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investigated many assertions which have turned out to be unsubstantiated rumors, however, Debtors and Creditors' Committee continue to pursue their investigation into various claims.

a. Debtors and Creditors' Committee are currently investigating the potential for recovery of certain claims against Charles E. Edwards and other Non-Debtor Affiliates, including claims to collect pre-petition loans and recover certain other transfers. See Section VII.C.3., Settlement of SEC Action and Phoenix Litigation.

b. Debtors and Creditors' Committee anticipate that a variety of preferential and fraudulent conveyances of Debtors' property were made prior to the Petition Date. An investigation of such conveyances, and potential recoveries under section 544, 547, 548, 549 and 550 of the Bankruptcy Code is currently underway including an investigation by Creditors' Committee's forensic accountant.

c. Debtors and Creditors' Committee (including Creditors' Committee's forensic accountant) are also investigating other potential claims against third parties, including claims arising under theories of fraud, malpractice, conspiracy, breach of fiduciary duty, conversion and RICO.

d. **Revenues Recoverable for Improper End User Common Line Charges**

On October 31, 1997, the United States Court of Appeals for the District of Columbia Circuit held that the FCC had erred in allowing LECs to assess End User Common Line ("EUCL") charges against IPPs during the period before the FCC's EUCL charge rules applied to both IPP and LEC payphone divisions. The Debtors, along with numerous IPPs across the country are pursuing reimbursement from the LECs for improperly assessed EUCL charges. Debtors' claims against the LECs have been conservatively estimated to exceed \$1,042,000.

e. **Other Lawsuits**

Debtors are plaintiffs in approximately fifteen lawsuits pending in Georgia, North Carolina, Texas, Florida and California. These lawsuits are for unrelated contract claims against Location Owners and other causes of action. The amounts in controversy for these cases average between \$5,000 and \$25,000 per case. At this stage in the litigation, neither the likelihood of Debtors prevailing nor the probable recoveries, if any, from these lawsuits, can be predicted.

7. Joint Venture Investments

a. **NYLT**

On December 10, 1998, ETS invested approximately \$500,000 in a corporation called New York Local Telephone Company ("NYLT"). The shareholders of NYLT are PSA (30%), Denton Jones (64%) and Larry Ginsburg (6%). Pursuant to preliminary information available to Debtors, NYLT was formed to operate as a competitive local exchange carrier ("CLEC") and provide dial tone to Debtors and other payphone service providers. Existing management of